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Approaches to consumer trust in banking sector, with special regard to young customers

Zsófia TÓTH

Corvinus University of Budapest, Marketing and Media Institute

zsofia.toth@uni-corvinus.hu

Trust is an element of crucial importance in bank marketing and is becoming a differentiating factor due to the effects of the financial and economic crisis. Trust is a strategic factor in creating a balanced and persistent operation for both individual banks and the banking sector on the whole. This paper aims to explore some of those attributes that are relevant for consumer trust in the respect of banks. Having reviewed the relevant scientific references in the field, through a focus group research of three interviews the ten biggest actors in the Hungarian banking sector were aligned by certain criteria by means of the brand party technique, and the topics of brand-knowledge, satisfaction, dependence and bank-change were also explored. Based on the research findings, there is no serious crisis, but consumer trust has been weakened in the younger age group. Some further findings show that there may be correlation between consumer trust and the assumed size of the banks; old customers might feel neglected as opposed to new ones; customers seem to be satisfied by the e-banking services; there may be a strengthening subjective feeling of dependence on banks when applying for loans; strong consumer subjectivity may prevail in judging the ownership structure of the banks; and finally, the phenomenon of passive bank-change might be frequent. Further elaboration and extension of the present research project may lead to appropriate generalizations.

Keywords: consumer trust, trust research, bank marketing
JEL Codes:M31

The question of trust and reliability has played a significant but maybe less accentuated role in the marketing activity of the Hungarian banking sector than today, due to its ability to become a differential advantage. The importance of trust has been exponentially growing and bank marketers face a communication challenge due to the global financial and credit crisis. During the design of the adaptation strategy to the changed conditions in the business environment, it may prove fruitful to examine the relations between trust and banking habits.

The aim of the present study is to unveil the factors according to which customers[1] assess the reliability of the competitors of the Hungarian banking industry. What do trust and reliability mean for the customers of the banks? What makes a bank reliable

1 Here customer means a natural person.

in the eyes of the customers? Which factors are the source of reliability and which may result in a loss of reliability? At the same time, the discussion of these questions provides the basis for a further qualitative and a future quantitative study.

1 Theoretical background

1.1 Bank marketing and trust

In bank marketing, the basic assumptions of marketing, more precisely service marketing and the tools of marketing management are valid and applicable apart from certain specialities of the sector. Bank services – even though they are called products in practice – are intangible, non-physical outputs including a broad spectrum of services ranging from the mass production of deposits to the personalised advising of private banking.

The intangibility of banking services and the significance of trust give rise to the accentuated role of image. There are several terms connecting to each other in the literature of bank marketing: reputation, corporate associations, and brand personality. Gardberg and Fombrun (2002) define image as the collective representation of a company's past actions and results, which describes the future prospects to deliver valued outcomes to multiple stakeholders. According to Koot (2005), image is the individual's affective and cognitive estimation of a firm's characteristics based on its perceived past messages. These messages and pieces of information may be experience-based in connection with the services and products purchased from the company, but they not necessarily are. Image is also the manifestation of the expected future behaviour of the company.

When examining the trust put in a certain firm, it is worth comparing the image created during the process of perception in the mind of the customer with the strategically built corporate identity. Without the harmony of the immaterial (vision, mission statement, short-term aims and strategies, competences, heritage, corporate personality) and physical elements (names, symbols, narratives, slogans, concepts, styles) of corporate identity (Schmitt – Simonson, 1997), the creation of a consistent, reliable image is highly unlikely. On the other hand, this is not universally applicable and requires further company-specific research. The investigation of the connection between the physical elements of corporate identity and trust (e.g. if these exist and if so, then which styles, colours, conceptions raise trust) is outside the scope of the present study, its focus being rather on bank customers' non-visual factors of trust.

1.2 Theoretical background to trust research

Trust research entered management sciences from the field of psychology and its extension began in the 1990s. The initial interpersonal research focus achieved a valued position at an organisational level and more and more academics (such as Tyler, Kramer and Lind) were involved in trust research in connection with business firms. Although the vast majority if the studies of this type is either interpersonal or organisational theory-centred, a short overview of the theories relevant to the examination of a credible brand personality was attempted to be presented.

In psychology, the issue of trust is strongly related to personality traits (Vrij – Winkel, 1992 and Gillespie – Mann, 2004), such as impartiality, justice, being consequent, tactfulness, professional and social competence, loyalty and accessibility.

According to the research carried out by Tyler and Blander (2006), a personal tone, a genuine attention to the other and the comprehension of their point of view, goodwill and impartiality make a person reliable.

Hosmer (1995) defines trust as the expectation that the other parties will behave in accordance with moral and ethical norms. According to Burt and Knez (1996), trust is a strategic concept, in which a trustee anticipates future cooperation from the trusted party.

The representatives of certain professions are granted trust in their fields in advance because we trust that they were awarded their qualifications only after proving their knowledge, as described by Brewer's concept (1981) of depersonalized trust. This type of trust, based on group-membership, is a kind of category-based trust.

Kramer (1999), being in favour of connection models, does not see trust as a rational decision in the first place, but as a form of social orientation, in which (according to Brewer, 1981) the individual's attitude towards their own identity and self-esteem are included.

Slovic (1993), working in a cognitive frame, underlines the vulnerability of trust, relying on arguments such as the fact that people tend to notice negative events and assess them as more important than positive ones; moreover, bad news is perceived as being more real.

According to Robinson's longitudinal study (1996), trust is more difficult to build up than to destroy and in cases when the initial level of trust was higher, people reacted less sensitively to problematic situations. It is, however, debatable and uncertain whether this observation (based on the relation between a company and its employees) can be broadened to the company and its customers.

2 Research methodology

After reviewing the literature, it was decided that a focus group study be created, since it is necessary to know the customers' values, emotional motives and motivations more thoroughly to examine the issue of trust.

So far, three sessions have been held in groups of five; the members are aged between 18-26 years, most of them are students but some are working young adults, two thirds of them are women. Although the results must be considered with caution due to the homogenous socio-demographic composition of the participants, some information have arisen which is worth further investigation.

Besides questions about banking habits and brand awareness, we also asked the following questions: Are you satisfied with your current bank? How much do you trust your bank? Does personal contact matter to you? How dependent do you feel on your bank? How real do you think is this feeling of dependence? Have you ever changed banks? If so, why? If not, would you? If yes, why?

As a complement to the questioning, we used projective techniques as well – I would like to highlight brand party, where the participants grouped the brands of the 10 largest banks according to their own viewpoints.

3 Findings

The question of trust divided all three groups to a certain extent. Someone mentioned that they did not have savings which they fear particularly but their parents were thinking about moving theirs abroad. (*„My parents are truly bethinking theirselfs of rescuing their savements to abroad"*) Two other participants said that 'no bank can be trusted', 'at best up to the amount of the deposit insurance'.

Others claimed that they trusted their banks, some refrained from answering. Although it may seem controversial, but some of those who said they did not trust their banks reported they were satisfied. Further interesting observation was that during the discussion, those who said they trusted their banks started to revise their position. Those who (or whose parents) had significant savings or security portfolios were more critical than those who opened an account only for their stipends. Some were disappointed on not-equal footing: "*The 13% interests are given only to the new customers, they are hardly taking care of the old ones and on the top of it all they don't give me as an old customer any information about my possibilities how could I have good choices."*

Generally, the informants trusted in their banks more than other banks – this was manifested when the participants had to locate the logos of the banks on the axis of reliability in the brand party.Some of them found the behaviour of the clerks important but only to a certain extent. Those who used online banking were more satisfied than those who did not. ("*Eventually the OTP is all right, only you can't get rid of it. It is like a sluggish mammut remained from the old system: the administration routine is extremly halting, but at least its e-banking system is good."*) The participants who had credits to pay back reported a more intense feeling of dependence: "*I feel dependent from my bank. I have to pay my instalments month by month, don't I? I think this kind of dependency will be even more real and stronger as time goes on. And later if I would have a direct debit authorisation or stuff like that, not cash in by paychecks, than this feeling will be even stronger. We all will have credits* [here was a skeptical grumbling of the others]*, we all will get our salaries to bank accounts and we will have this dependency feeling stronger and stronger."*

At the brand party, the dichotomies drawn up by the participants are the following: large vs. small, young vs. conservative, banks with a lot of vs. little media appearance, Hungarian vs. foreign, sponsoring vs. non-sponsoring. The following banks were unambiguously classified to the following categhories by the respondents: 1. „Hungarian Banks": OTP, FHB, Budapest Bank, MKB; „Banks in Foreign Ownership": UniCredit, CitiBank; 2. „you can see them frequently in the media": OTP, Budapest Bank, K&H, CIB, Raiffeisen, ERSTE; „you can't see them seldom in the media": MKB, CitiBank; 3. „big banks": OTP, K&H; „small banks": FHB, CitiBank; 4. „youthful banks": Budapest Bank, CIB; „elderly banks": FHB, CitiBank, UniCredit, MKB; 5. „banks active in sponsorship activity": MKB, OTP, K&H, Raiffeisen; „banks not active in sponsorship activity": Budapest Bank, CIB, CitiBank, UniCredit, FHB, ERSTE.

The larger a bank was perceived, the more trustworthy it was reported (*„Well, I think it* [the K&H Bank] *is big enough not to go bankrupt."*), and sponsorship showed a similar but not that significant effect on trust. A perceived Hungarian owner created trust (*„a home-bank won't escape to abroad"*), while foreign ownership was associated with professionalism (*„in West-Europe it* [the banking system] *has a longer tradition"*); however, as it showed itself in the brand party, the perceived nationality of the owner often did not reflect reality.

Changing banks due to the weakening of trust, dissatisfaction or a more favourable offer is rather a passive than a real move, when the customer closes their accounts. This passive change means that customers do not close their accounts but they stop using them, managing their finances at another bank.

Although a crisis of trust in the banking industry is not felt, the role trust plays has become more significant, especially for those who have something to fear for.

4 Implications and possibilities to extend the research

In her article entitled Dimensions of Brand Personality, Jennifer L. Aaker (1997) defines brand personality as the human characteristics and competences which customers associate with the brand. The five dimensions of brand personality are sincerity, excitement, competence, sophistication and ruggedness.

She also mentions that the mainstream research in brand personality, connected to Belk and Malhotra, has been concerned with the expression of the ideal self-image of the customer by the brand personality and that the field has a lot uncovered areas for further investigation.

Using Aaker's (1997) terminology, two of the dimensions of brand personality, sincerity and competence are strongly connected to the conception of trust defined by the above mentioned authors and it is worth taking a closer look at how these dimensions function and at the interactions between them in the case of the Hungarian banking industry's brands.

It would be especially interesting to broaden the research to the examination of the attitudes towards Hungarian and foreign ownership, and the passive changing of banks. Related to the results of trust research so far, it would be worth investigating the possible connections between customers' levels of trust in themselves and their environments and that in banks.

In order to go deeper into the topic, we are going to conduct more focus group studies. After the qualitative stage, we wish to incorporate certain elements of the Richins materialism scale and questions related to media consumption into the quantitative phase, which would enable us to study the effects of the degree of materialism and media consumption habits on trust in retail banking. Concerning sampling, the well-proportioned use of the HNWI[2] (top/mid/low) categories (affluent, upper mass, mass and below mass usually) generally applied to banking market research are to be aimed at.

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